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SUBJECT: SBU SCENESETTER FOR JANUARY 7 VISIT OF CODEL
MCCONNELL

REF: STATE 130327

¶1. (U) Mission Kuwait warmly welcomes the January 7 visit of CODEL McConnell. Ambassador and country team look forward to providing the CODEL with a classified briefing on January 7. Given the brevity of CODEL's stay in Kuwait, no meetings with GOK officials have been arranged.

Kuwait Snapshot

¶2. (U) Kuwait is a Gulf emirate whose small size (about the size of New Jersey) and population (approximately 1.1 million Kuwait citizens and 2.3 million expatriates) belie its outsized geostrategic importance. Our strong bilateral relationship is founded upon close security ties that have endured since the 1991 liberation of Kuwait from Saddam's Iraq, and are manifested today in Kuwait serving as a key military training and logistical support hub. A major exporter of both capital (over 34 billion USD in outward FDI over the past five years) and oil (with the fifth largest proven oil resources in the world), Kuwait also punches above its weight economically. Politically, Kuwait is a constitutional emirate with a freely-elected parliament (including four women MPs, all U.S. PhD holders) and is home to one of the freest medias in the region; many Kuwaitis, and particularly the Kuwaiti elite, have studied or traveled to the United States and visa numbers, after a post9/11 period of decline, are again on the rise.

U.S. - Kuwait Security Relations

¶3. (SBU) Kuwait's backing of OIF has come in the form of both significant financial support and a permissive operating environment. Kuwaiti support for the U.S. military presence has included, in material terms alone, over USD 1.2 billion annually in such benefits as free access to bases, waived port and air support fees, customs waivers, subsidized fuel and other services. Kuwait also provides the U.S. military with access to a number of air and land bases as well as to port facilities and a border crossing facility; Kuwait serves as an important venue for "spin up training" for US. forces prior to deployment elsewhere in the region. Several thousand U.S. military personnel are located on bases and facilities in Kuwait and many more pass through here en route to Iraq or back to the U.S.

Support on Regional Issues

¶4. (SBU) A key Gulf-region ally, Kuwait has been a generally helpful interlocutor on the Middle East Peace Process and Iran, and has been increasingly responsive to our concerns on terrorism. While deeply concerned about perceived Israeli intransigence on the settlements issue and the status of Jerusalem, Kuwait has been supportive of the Palestinian Authority's role as the sole Palestinian interlocutor on the

peace process and has contributed assistance to support the PA. On Iran, Kuwait has publicly expressed concerns about Iran's nuclear intentions, but also fears that any attack on Iranian nuclear facilities would have disastrous consequences for Kuwait, Iran's close neighbor. Kuwait, therefore, regularly urges caution and dialogue on the nuclear issue, while publicly and privately urging Iran to work with the international community and abide by IAEA safeguards.

Economic Issues: Oil and Investment

15. (SBU) KuwaQ has the third largest economy in the GCC, behind Saudi Arabia and the UAE. It is a major oil producer, holding from 8-9 percent of the world's proven oil reserves and has an economy which is heavily dependent on oil exports (including considerable exports to the U.S.). On the oil front, Kuwait plans to invest approximately \$80 billion over the next five years (divided between upstream and downstream) to raise its oil production capacity from a current 3 million barrels per day to 4 million barrels of oil per day by 2020. Kuwait is a major international investor, with its Sovereign Wealth Fund, the Kuwait Investment Authority believed to be managing over \$200 billion in assets. Although KIA does not disclose its asset allocation strategy, it is a major investor in the U.S. (as are Kuwaiti private sector investors); KIA has in the past been willing to step in to invest in major but potentially troubled financial services companies as a means of helping restore confidence in and maintain international financial equilibrium. With the exception of Dow Chemical and CitiGroup, there is little U.S. direct investment in Kuwait, in part as a result of the fact that the oil sector is closed to direct foreign investment by constitutional writ, and in part because

Kuwait's markets and tendering processes are less than fully transparent.

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